

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
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FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 1603

C O N F I D E N T I A L AMMAN 2683

FROM AMBASSADOR

E.O. 11652: GDS
TAGS: EAID JO US
SUBJECT: BUDGET SUPPORT PLAN

REF: (A) AMMAN 1917, (B) STATE 10279, (C) STATE 105268

1. WE APPRECIATE THOUGHT GIVEN TO REFTEL (A). WE BELIEVE, HOWEVER, THAT ISSUE OF THIS IMPORTANCE SHOULD NOT BE TREATED SOLELY IN THE ADMITTEDLY SECONDARY CONTEXT OF ECONOMIC FACTORS. AS I STATED IN WASHINGTON, THE POLITICAL IMPACT OUTWEIGHTS THE ECONOMIC AND NO FULL CONSIDERATION OF THE ISSUE WOULD BE COMPLETE WITHOUT A CAREFUL RESTATEMENT OF THE POLITICAL ASPECTS OF THE ISSUE. ALTHOUGH WE TEND TO AGREE WITH YOU ON THE FOREIGN EXCHANGE RATIONALE, WE MUST NOTE THAT THE SPECIAL FRAGILITIES OF THE JORDANIAN ECONOMY HAVE ALWAYS IMPELLED LOCAL CENTRAL BANK GOVERNORS AND PRIME MINISTERS TO BE MOST CONSERVATIVE ON MAINTAINING A VERY STRONG FX POSITION.

2. WHILE CONGRESSIONAL SENTIMENTS MAY BE UNPREDICTABLE,
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I NOTE FROM MY RECENT RATHER EXTENSIVE CONVERSATIONS ON THE HILL, AND PARTICULARLY WITH THOSE WHO REFLECTED PUBLICLY AN INTEREST IN CUTTING BUDGET SUPPORT, A VERY GOOD UNDERSTANDING OF AND STRONG SYMPATHY FOR THE EVENTUAL NEED FOR A FLOOR, ESPECIALLY IN THE ABSENCE OF CHANGES IN THE AREA ON THE PEACE FRONT.

3. WHILE FLOOR FIGURE WAS CHOSEN HERE ON BASIS OF NO OTHER RATIONALE THAN THAT GIVEN IN PARA 5, WE ARE NOT WEDDED SO MUCH TO THE NEED FOR A PARTICULAR LEVEL AS TO THE NEED FOR UNDERSTANDING THAT WE CANNOT KEEP CUTTING AT PRESENT RATES AND ARRIVE AT ZERO WITHOUT DOING VERY SUBSTANTIAL HARM TO INTERESTS WHICH THE U.S. AND, I BELIEVE, THE CONGRESS WOULD WISH TO SUPPORT. THE CONCEPT OF CONTINUING SMALL CUTS YEAR-BY-YEAR DO NOT FACE UP TO THE POLITICAL REALITIES IN THIS PART OF THE WORLD. FURTHER IT IS PREDICATED ON WHAT I BELIEVE TO BE AN INCORRECT ASSUMPTION THAT CONGRESS IS COMPOSED OF KNEE-JERK BUDGET SUPPORT CUTTERS. I BELIEVE CONGRESS CAN FACE UP REALISTICALLY TO HARD POLITICAL CHOICES AND JORDAN HAS A GREAT MANY SYMPATHETIC SUPPORTERS ON THIS SCORE.

4. I HOPE YOU WILL CONTINUE TO REVIEW YOUR THINKING ON THESE POINTS. HAVING BEEN IN THE FOREFRONT OF THE EFFORT TO GET AID AND THE DEPARTMENT TO CUT BUDGET SUPPORT AND INCREASE DEVELOPMENT LENDING, I FEEL I MUST ALSO BE OUT FRONT IN TELLING YOU THAT WE CANNOT MECHANICALLY CONTINUE THE PROCESS WITHOUT VERY CAREFUL CONSIDERATION OF THE CONSEQUENCES, AND ESPECIALLY THOSE HAVING TO DO WITH OUR EFFORTS TO BRING ABOUT A PEACE SETTLEMENT IN THE AREA.

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